

REVISED  
REBUTTAL TESTIMONY

of

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Illinois Commerce Commission

Northern Illinois Gas Company

Proposed Establishment of Rider 17,  
Purchase of Receivables with Consolidated Billing

Docket No. 12-0569

May 2, 2013

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1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Theresa Ebrey. My business address is 527 East Capitol Avenue,  
4 Springfield, Illinois 62701.

5 **Q. Are you the same Theresa Ebrey who previously provided direct testimony**  
6 **in this proceeding?**

7 A. Yes. I provided direct testimony dated March 1, 2013 previously marked as ICC  
8 Staff Exhibit 2.0.

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. I am addressing Northern Illinois Gas Company's ("Nicor", or "Company") rebuttal  
11 testimony Nicor Gas Ex. 2.0 and the tariff revisions provided as Nicor Gas Ex.  
12 2.1. Staff witness Dr. David Rearden, in ICC Staff Exhibit 5.0, presents Staff's  
13 primary recommendation to reject the Company's Rider 17 proposal. My  
14 testimony includes:

- 15 1) Response to Company witness Mr. Mudra regarding my argument as  
16 to why approval of Rider 17 is premature at this stage;
- 17 2) Tariff revisions as recommendations to the Commission in the event it  
18 determines that tariffs to establish Rider 17 must be approved in this  
19 proceeding;
- 20 3) Proposal for the tracking of costs and revenues;
- 21 4) Proposal for the treatment of uncollectibles;

- 22 5) Discussion regarding the appropriate accounting entries to record  
23 activity under Rider 17; and  
24 6) Attachment A setting forth all of Staff's tariff language revisions.

25 **Approval of Rider 17 Tariff is Premature**

26 **Q. Nicor witness Mr. Mudra responded to your charge that approval of Rider**  
27 **17 would be premature<sup>1</sup>. Does his response alleviate your concerns?**

28 A. No. The Company is in effect asking the Commission to approve a blank check  
29 for any and all costs that it incurs to be recoverable under Rider 17. The  
30 Company requests an 8% overhead factor for Administrative and Operational  
31 Costs ("AOCs") and a 1.5% discount factor without support. While Staff  
32 understands that specific amounts for AOCs cannot be known with certainty until  
33 after the program is operational, the Company should be able to provide a "best  
34 estimate" of future costs. While the Company estimates 8% for AOCs, the  
35 Company should provide support for the estimate in order for the Commission to  
36 form a conclusion on the proposal.

37 The Company continues to depend on the discussions with RESA and IGS as  
38 the basis for the reasonableness of the 1.5% discount factor and that the  
39 Company cannot speculate on the factors considered by the parties in their  
40 determination of reasonableness<sup>2</sup>. The Commission does not base a conclusion  
41 on "discussions" between parties in a case when considering the reasonableness

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<sup>1</sup> Nicor Gas Ex. 2.0, pp. 7 – 10, lines 138 – 208.

<sup>2</sup> Nicor Gas Ex. 2.0, p. 10, lines 211 – 217.

of factors used in setting rates. Evidence supporting reasonableness must be provided for the record<sup>3</sup>. Lacking such evidence, the Commission cannot find that the Discount Factor proposed by the Company is reasonable, regardless of the “opinion” of the Intervenors.

Finally, while I agree with the Company that this proceeding is to consider the Rider 17 mechanism<sup>4</sup>, the Company is also asking for approval of specific tariff language for the Rider. The tariff language proposed by Nicor does not sufficiently set forth the specific costs to be recovered under the Rider 17 mechanism. Until the concerns I discussed in my direct testimony have been resolved, approval of the tariff language in my opinion is premature.

**Q. Given the prematurity of approval of the Rider 17 tariff language, do you change the recommendation you made in direct testimony?**

**A.** No. The Company did not provide explanations to alleviate my concerns regarding the prematurity of the approval of Rider 17 tariff language. I repeat my direct testimony recommendation that the Company should withdraw their tariff filing and resubmit a revised tariff filing near final design of the program when specific costs will be more discernible and once the design is sufficiently developed. .

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<sup>3</sup> As an example of this, the Commission initiated a rate case expense rulemaking in Docket No. 11-0711.

<sup>4</sup> Nicor Gas Ex. 2.0, p. 12, lines 260 – 262.

60 **Proposed Changes to Definitions**

61 **Q. Did the Company accept any of your tariff language revisions in its rebuttal**  
62 **testimony?**

63 A. Yes. The Company accepted various revisions to its tariffs as listed on Nicor  
64 Gas Ex. 2.0, p. 6, lines 116 – 134 and portions of other revisions I proposed as  
65 set forth in redline as Nicor Gas Ex. 2.1.

66 If the Commission determines that tariffs for Rider 17 must be approved in this  
67 proceeding. I continue to offer the following tariff revisions to:

68 1) Discuss tariff language in the Definitions section of the tariff language  
69 to more specifically define the following terms as they are used in the  
70 proposed tariff language:

71 a) Administrative and Operations Costs (“AOCs”),

72 b) Capital Recovery Costs (CRC),

73 c) Discount Factor (DF)

74 d) Qualifying Receivables (Q-REC),

75 e) Non-Residential POR Adjustment ( $PORA_{NR}$ ), and Residential POR  
76 Adjustment ( $PORA_R$ );and

77 2) propose revisions to tariff language as it relates to the Supply  
78 Uncollectible Adjustment (“SUA”).

79 Revisions to reflect the recommendations of Staff witnesses Dr. Rearden  
80 (concerning intangible cost recovery) and Ms. Phipps (concerning rate of return)  
81 are also included in the redlined version of Staff’s complete proposed tariff  
82 proposal included with this testimony as Attachment A.

83 **Q. Did the Company address all of the bases for the changes you proposed**  
84 **concerning AOCs and Capital Recovery Costs (“CRCs”)?**

85 A. No. One of my main concerns was that PORCB tariff language should be  
86 consistent among the PORCB tariffs of various utilities. Definitions for these  
87 types of costs have already been thoroughly explored in the Ameren (Docket No.  
88 08-0619/0620/0621 (Cons.)) and ComEd (Docket No. 10-0138) electric utilities’  
89 tariffs. Since Nicor has not provided any rebuttal testimony to explain why the  
90 Nicor gas utility should be treated differently, the Commission should strive for  
91 consistency among the PORCB tariffs. My proposed tariff revisions would  
92 provide that consistency for both AOCs and CRCs.

93 **Q. What language do you propose for AOCs?**

94 A. I recommend the following language for the definition of AOCs:

95 **Administrative and Operational Costs (AOCs)**

96 Administrative and Operational Costs (AOCs) shall mean incremental  
97 expenses incurred by or for the Company in association with services  
98 provided under this Rider 17 including, ~~without limitation,~~ (a) ongoing  
99 electronic data transfer costs; (b) costs for obtaining Commission approvals  
100 and participation in regulatory proceedings; (c) staffing required to address  
101 questions from Q-AGS and others regarding services provided under this  
102 Rider; (d) financial tracking, audit, and reconciliation activities with respect  
103 to the this Rider; ~~(e) other staffing required to administer and address~~  
104 ~~questions from Q-AGSs and others regarding services provided under this~~  
105 ~~Rider; and (fe) fees, charges, billings or assessments related to~~ receivables  
106 purchased under this Rider; ~~(g) costs or expenses associated with~~  
107 ~~equipment, devices, or services that are purchased, provided, installed,~~  
108 ~~operated, maintained or monitored for services provided under this Rider;~~  
109 ~~and (h) legal, auditing and consultant costs related to this Rider.~~ AOCs  
110 may not include any expenses that are otherwise recovered under other  
111 effective tariffs

112 **Q. Did the Company accept any of your revisions for the definition of AOCs?**

113 A. Yes. Nicor agreed to remove the phrase “without limitation”, as well as items (e)  
114 and (g) from its original language as I proposed. However, the Company argues  
115 that items (f) and (h) from the original language should be retained.

116 **Q. Do you agree with the retention of items (f) and (h)?**

117 A. I can agree with the retention of item (f) if clarifying language is added. However,  
118 I continue to oppose the retention of item (h). Regarding item (f), I propose a  
119 language modification to clarify that recoverable costs must be related to  
120 receivables purchased under this Rider. I would add language to read “fees,  
121 charges, billings, or assessments related to receivables purchased under this  
122 Rider” Regarding item (h), I continue to recommend that item (h) be removed  
123 because “legal, auditing and consultant costs related to this Rider” would already  
124 be included under items (b) and (d).

125 **Q. What language do you propose for CRCs?**

126 A. I continue to recommend the definition for CRCs that I proposed in my direct  
127 testimony:

128 **Capital Recovery Costs (CRC)**

129 Capital Recovery Costs (CRC) shall mean the revenue requirement  
130 necessary to recover the Company’s investment in information technology  
131 systems necessary for implementing the PORCB Program. CRC shall  
132 include: (a) initial programming changes to implement the PORCB  
133 Program; (b) general billing system and related enhancements required  
134 for the PORCB Program; and (c) development of information technology  
135 to implement the PORCB Program; ~~and (d) future system modifications~~  
136 ~~required to maintain information technology system integrity and~~  
137 ~~functionality related to the provisions of the PORCB Program.~~ Such  
138 investment costs are not already included in base delivery service rates



and shall be treated as a regulatory asset. CRC will be limited to incremental costs incurred through one year following the commencement of service under this Rider.

**Q. Did the Company accept any of your revisions for the definition of CRCs?**

A. No. The Company rejected all of the revisions I proposed regarding the definition of CRCs. The Company claims that since subsection (d) of its definition for CRCs specifically includes “future system modifications required to maintain information technology system integrity and functionality,” that any future modifications would be recoverable under the PORCB tariff. That argument ignores my proposal to delete subsection (d) because it is not necessary. Nothing in the Company’s proposal shows that the PORCB will be a totally separate system from Nicor’s current billing and customer systems. In fact the description of CRCs in the Company’s direct testimony discusses programming *changes* and billing system and related *enhancements*<sup>5</sup> – items that appear to be associated with the existing information technology system. The Company has not explained how system integrity and functionality for the PORCB program would be isolated from Nicor’s overall IT system integrity and functionality. Nothing in the Company’s rationale indicates that the PORCB will be operated under an IT system that is not integrated into Nicor’s current IT system. Further, the Company neglected to address the fact that my proposed one-year limitation for the implementation costs for the PORCB program is consistent with the Ameren and ComEd tariffs which limit the capitalized costs to a period ending

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<sup>5</sup> Nicor Gas Ex. 1.0, p. 10, lines 212 – 213.

approximately one-year after the effective date of their UCB/POR programs.  
While the Company claims the final design stage of the program will take two years to be completed, my proposal allows an additional one-year for the accumulation of implementation costs to provide a three-year period to accumulate implementation costs. The Company has not offered any specific costs that may not be considered during that three-year period for the PORCB program.

**Q. Did the Company propose an alternate definition for Discount Factor (“DF”)?**

A. Yes. The Company essentially accepted my definition adding the phrase “after the levelized revenue requirement for capital costs has been recovered by the Company”<sup>6</sup>. I do not take issue with the addition of this language although I do not agree that the phrase allows for the recovery of future IT system modifications beyond the period reflected in my proposed definition for CRCs.<sup>7</sup>

**Q. What revisions do you propose to the definition of Qualifying Receivables (Q-REC)?**

A. In response to Staff Data Request (“DR”) TEE 6.05, the Company provided clarification that the eligibility requirement for a Q-REC must be met only once. Therefore, the phrase “or during the prior billing period” should be removed from the definition since it seems to reflect that the eligibility requirement would have

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<sup>6</sup> Nicor Gas Ex. 2.0, p. 16, lines 351 – 352.

<sup>7</sup> See my discussion about future IT modifications in the CRCs definition discussion.

to be met each month. Therefore, I recommend the following revision as the definition on Original Sheet No. 75.9.5:

**Qualifying Receivables (Q-REC<sub>c</sub>)** shall mean receivables that satisfy all of the following requirements: (i) such receivables are for natural gas commodity service provided by a Q-AGS to residential retail customers and commercial customers, who are Customer Select Participants to the extent such Q-AGS has included its charges for such natural gas commodity service on the Company's bill pursuant to Section 19-135 of the Act; (ii) such receivables consist only of charges for the purchase of natural gas supplies and do not include any charges for any other goods or services; (iii) such receivables are not subject to any Legitimate Billing Dispute; (iv) such receivables are owned by such Q-AGS free and clear of any liens, security interests, pledges, encumbrances and other charges or restrictions on transfer; and (v) such receivables have arisen from providing gas supply to Customer Select Participants who were, at the time immediately prior to entering the PORCB program, ~~or during the prior billing period,~~ not in arrears with either the Company or the Q-AGS.

**Q. Did the Company agree with your proposed definitions for Non-Residential POR Adjustment ("PORA<sub>NR</sub>") and Residential POR Adjustment ("PORA<sub>R</sub>")?**

A. No, however the Company never specifically addresses the basis for the revisions to the definitions for PORA<sub>NR</sub> and PORA<sub>R</sub> proposed in my direct testimony<sup>8</sup>. Since the Company appears to have accepted my definitions for both AOCs and Net Actual Uncollectible Costs ("NAUC") on Original Sheet No. 75.9.11<sup>9</sup>, which along with Intangible Cost Recovery<sup>10</sup> are the total components of the Actual PORA Costs<sup>11</sup>, the Company's opposition to my revisions to these two factors is unclear.

<sup>8</sup> ICC Staff Ex. 2.0, p. 11, lines 258 – 263.

<sup>9</sup> Nicor Gas Ex. 2.1.

<sup>10</sup> Intangible Cost Recovery is addressed in the Direct and Rebuttal testimonies of Staff witness Rearden (ICC Staff Exhibits 1.0 and 5.0).

<sup>11</sup> Nicor Gas Ex. 2.1, Original Sheet 75.9.11.

207 For clarity, I continue to recommend the following revisions:

208 **Non-Residential POR Adjustment ( $PORA_{NR}$ )**

209 The Non-residential POR Adjustment ( $PORA_{NR}$ ) shall be applied to all  
210 Eligible Non-residential customers receiving service from a Q-AGS  
211 participating in the PORCB Program. The  $PORA_{NR}$  is intended to recover  
212 the ~~working capital necessary to operate the PORCB Program for Non-~~  
213 ~~residential customers, its ongoing Administrative and Operational Costs,~~  
214 ~~Intangible Costs, and Net Actual Uncollectible Costs to the extent that they~~  
215 ~~are not recovered through collection of the Q-AGS Discount Factor.~~

216 **Residential POR Adjustment ( $PORA_R$ )**

217 The Residential POR Adjustment ( $PORA_R$ ) shall be applied to all Eligible  
218 Residential Customers receiving service from a Q-AGS that has elected  
219 service under this Rider. The  $PORA_R$  is intended to recover the ~~working~~  
220 ~~capital necessary to provide service under this Rider for residential~~  
221 ~~customers, its ongoing Administrative and Operational Costs, Intangible~~  
222 ~~Costs, and Net Actual Uncollectible Costs to the extent that they are not~~  
223 ~~recovered through collection of the Q-AGS Discount Factor.~~

224 **Q. What other changes are you proposing to the Definitions Section of the**  
225 **tariff?**

226 A. I also continue to reflect the deletion of the definition of Intangible Costs from  
227 Original Sheet No. 75.9.4 for the reasons presented in ICC Staff Exs. 1.0 and  
228 5.0.<sup>12</sup>

229 **Proposed Change to Supply Uncollectible Adjustment**

230 **Q. What was the Company's response to your proposed revisions for the**  
231 **Supply Uncollectible Adjustment?**

232 A. The Company rejected my revisions listing the following 5 reasons:

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<sup>12</sup> Due to the deletion of the Intangible Costs from recovery under Rider 17, the Factor ICR is removed from the PORA formula on Original Sheet 75.9.9, the definition of Factor ICR on Original Sheet No. 75.9.10, and the Actual PORA Costs formula on Original Sheet No. 75.9.10.

- 1) The overall rate approved in the last rate case did not reflect separate rates for residential versus non-residential classes.
- 2) The Company's proposal uses forward looking estimates rather than historical data points.
- 3) The Company's approach does not set an "artificial cap" on SUA recoveries until the two-year reconciliation occurs.
- 4) The Company's proposal accounts for actual customer payment experience.
- 5) The Company will not accept additional financial risk it perceives in Staff's proposal.<sup>13</sup>

**Q. Do you agree that the Company's reasons for rejecting your proposed revisions are valid?**

A. No. In response to reason (1), I would not be opposed to the Company providing the support for the uncollectible rate approved in the last rate case as residential versus non-residential. If the Company provides that information in surrebuttal testimony, it could be incorporated into the final tariff language approved in this case. However as I discuss later in this testimony addressing the treatment of uncollectibles, there would be further complication regarding the separate rates for residential versus non-residential customers.

While the Company says it wants to use forward looking estimates in its second reason, those estimates will not be any more precise or accurate than the historic data I propose using. Monitoring the estimates on a monthly basis as the

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<sup>13</sup> Nicor Gas Ex. 2.0, pp. 16 – 18, lines 363 – 396.

Company proposes only adds to the complexity and amount of costs that would be passed on to the AGS customers with no corresponding benefit.

In discussing the “artificial cap” that my proposal places on SUA recoveries, the Company focuses on certain “risks” that it opines will result in significant under collections of PORCB associated uncollectibles. Since the proposal by the Company is based on estimates, the assumptions behind those estimates could also lead to under collections or over collections. When the reconciliations are conducted every two years, the true-up of costs and recoveries plus interest will alleviate those risks regardless of how the actual rates are determined.

In response to the fourth reason, the use of actual customer payment history on a monthly basis may add certain “precision” that the Company desires. However, the additional work and costs involved to attain that precision, especially in light of the bi-annual reconciliations, could far outweigh the benefits of that precision.

Finally, the Company once again depends on the settlement with RESA and IGS as support that the proposed tariff language and process must be approved.<sup>14</sup> The “risk” that uncollectibles may not be exactly recovered each month is reduced by the reconciliation process that includes an interest factor.

**Q. Does the Company address all of your bases for the proposed SUA language and process?**

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<sup>14</sup> It must be noted that neither the Commission nor Staff were parties to that settlement agreement.

275 A. No. The Company never addresses my main concern with its proposed SUA  
276 procedure, which is the process as outlined over-complicates the charges which  
277 are periodically reconciled. All of the monitoring and forward-looking estimates  
278 only increase costs and make for a complex and time-consuming process that  
279 has been shown to be relatively simple in the electric utility tariffs.

280 **Q. What do you propose as revisions to the tariff language concerning the**  
281 **Factor SUA?**

282 A. My proposal, the same as in direct testimony, is for the description of SUA in the  
283 tariff on Original Sheet No. 75.9.9 and 75.9.10 to be revised as follows:

284 SUA = the Supply Uncollectible Adjustment, in dollars (\$) rounded to the  
285 nearest cent, may be either positive or negative and shall be equal to the  
286 ~~Estimated Discounted Qualified Receivables paid to~~ purchased from  
287 Suppliers relating to applicable customers during the effective month (<sub>M</sub>)  
288 ~~less the Estimated Gross Collections to be received from applicable~~  
289 ~~customers during the month plus the portion of the Estimated Gross~~  
290 ~~Collections associated with the Capital Cost Recovery component of the~~  
291 ~~Discount Factor and~~ times the net of the uncollectible rate as determined  
292 in the most recent delivery service rate case for the Company less the 1%  
293 uncollectible component of the Discount Factor. ~~an amortization of the~~  
294 ~~Supply Uncollectible Balance as necessary, by customer class.~~

$$295 \text{ } \text{SUA} = \text{E-D} \underline{\underline{\Sigma \text{Q-REC}_M}} - \text{E-GC}_M + (\text{E-GC}_M \times (\text{UR} - .01)) + \text{A}$$

296  
297  
298 ~~E-DQ-REC<sub>M</sub>~~ = the sum of the Estimated Discounted Receivables, in  
299 dollars (\$) rounded to the nearest cent, expected to be paid to Q-AGS for  
300 applicable customers during the effective month. ~~It is based on estimates~~  
301 ~~of the following: Qualifying Receivables, estimated gas consumption~~  
302 ~~volumes, supplier commodity service costs, customer payment experience~~  
303 ~~and the discount factor of 1.5%.~~ the sum of the Qualifying Receivables, in  
304 dollars (\$) rounded to the cent, equal to the gas supply service related  
305 receivables of a Q-AGS, for customer c, on the consolidated monthly bill  
306 for gas service issued by the Company for gas supply service provided to  
307 such retail customer, c, by the Q-AGS.  
308

~~$E-GC_M$  = the sum of the Estimated Gross Collections, in dollars (\$) rounded to the nearest cent, expected to be received from applicable customers during the effective month. It is based upon estimates of the following: Qualifying Receivables, estimated gas consumption volumes, supplier commodity costs and customer payment experience.~~

UR = the uncollectible rate in decimal format (0.000) as included in the Gross Revenue Conversion Factor in the Company's most recent delivery service base rate case.

~~A = Amortization of the cumulative Supply Uncollectible Balance (SUB), in dollars (\$) rounded to the nearest cent, as necessary, for the appropriate customer class. Factor A may be amortized over a period not to exceed 24 months and may result in either a charge (positive) or credit (negative) to the customer's monthly  $PORA_C$~~

~~$SUB_C$  = shall equal the Supply Uncollectible Balance, in dollars (\$) rounded to the nearest cent, by customer class (c) in dollars (\$), equal to the cumulative balance resulting from the application of the SUA through the POR Application Period. The SUB shall equal:~~

$$\text{SUB}_C = \sum DREG - (\sum GC \times .995)$$

~~DREG = the cumulative sum of the actual prior months Discounted Receivables, in dollars (\$), rounded to the nearest cent, for customer class, (c).~~

~~GC = the cumulative sum of the actual prior months Gross Collections, in dollars (\$), rounded to the nearest cent, for customer class, (c).~~

### **Proposed Change to Reconciliation Factor of PORA**

**Q. What do you propose as revisions to the tariff language concerning the reconciliation factor of PORA?**

A. I propose the following revisions to the reconciliation factor of the PORA on Original Sheet Nos. 75.9.10 and 75.9.11 as follows:

$$R_C = \text{Actual } PORA_{(C)} \text{ Costs} - \text{Actual } PORA_{(C)} \text{ Revenues}$$

Where:

$$\text{Actual } PORA_{(C)} \text{ Costs} = AOC_{\underline{A}(C)} + NAUC_{(C)} + \text{ICR}_C$$



Actual PORA<sub>(c)</sub> Costs = The actual Purchase of Receivables Costs  
adjustment for the customer class (c), in dollars (\$) rounded to the nearest  
cent, which equals the sum of the Administrative and Operational Costs,  
and the Net Actual Uncollectible Costs and the Intangible Cost Recovery  
component for the reconciliation period.

The remaining revisions for this section that I proposed in direct testimony were  
accepted by the Company and reflected in Nicor Ex. 2.1. The only contested  
issue for this section is the recovery of the Intangible Cost Recovery component  
which is addressed by Staff witness Rearden.

**Proposal for the Tracking of Costs and Revenues**

**Q. Did the Company accept your proposals for the tracking of costs and  
revenues?**

A. Yes. Company witness Mr. Mudra states that the Company will use specific  
“revenue identifiers” to track the specific revenues associated with Rider 17.<sup>15</sup>  
The Company also agrees to maintain specific information for PORCB-related  
external costs as well as most other internal labor costs.<sup>16</sup> However, the  
Company takes issue with the tracking of the costs of the internal information  
systems employees’ time which will be capitalized.<sup>17</sup> Since those costs will be  
capitalized, the specific records must be maintained to support the capitalized  
cost of the project. Therefore, the Company’s opposition to tracking those costs  
for recovery under Rider 17 is without merit.

<sup>15</sup> Nicor Ex. 2.0, p. 19, lines 419 – 421.

<sup>16</sup> Id., pp. 19 – 20, lines 431 - 438.

<sup>17</sup> Id. lines 431 – 435.

369 **Q. In your direct testimony you discuss the initial 430 hours of costs already**  
370 **incurred for preliminary planning in CRCs. What does the Company say**  
371 **about recovery of those costs?**

372 A. In response to Staff DR TEE 6.01, when asked if the Company intends to recover  
373 that internal labor cost, and if so, to indicate the recovery mechanism, the  
374 Company response was simply “No.” The Company should confirm in  
375 surrebuttal testimony that it has no intention of recovering those costs through  
376 base rates or any other recovery mechanism.

377 **Q. Did the Company agree with your proposal for quarterly progress reports**  
378 **to be provided through the commencement of service under Rider 17?**

379 A. Company witness Mr. Mudra agreed to provide the requested quarterly progress  
380 reports.<sup>18</sup>

381 **Treatment of Uncollectibles**

382 **Q. Did the Company provide additional information on the treatment of**  
383 **accounts purchased through the PORCB Program that it subsequently**  
384 **writes off as uncollectible in its rebuttal testimony?**

385 A. Yes. The Company expects that the uncollectible costs associated with the  
386 PORCB program will include:

387 1) Purchased receivable amounts that are written off;

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<sup>18</sup> Nicor Gas Ex. 2.0, p. 20, lines 439 – 442.

388           2) Amounts billed to customers through the PORA charge that are written off;  
389           and  
390           3) Amounts billed to Q-AGS through the Capital Recovery Adjustment  
391           ("CRA")<sup>19</sup> that are written off.

392   **Q.    Do you have any concerns with this proposal?**

393   A.    Yes. Under this proposal the amount of actual uncollectibles that would be  
394           included in the reconciliation of actual uncollectible costs and recoveries and  
395           further passed on to customers would potentially include CRCs that were not  
396           recovered from Q-AGS. This is possible given that any over or under collection  
397           of CRCs through the Discount Factor will be included on the Q-AGS Supplier  
398           Aggregation Service ("SAS") bills as the CRA. If the SAS is unpaid and is  
399           eventually written-off then the amount would be passed through to customers of  
400           the Q-AGS. This process is contrary to the Company's discussion that the CRCs  
401           will be recovered completely from Q-AGS and not from ratepayers.

402   **Q.    Do you have any other concerns regarding the Company's discussion of**  
403           **uncollectibles?**

404   A.    Yes. The Company is adamant that the uncollectible rate must be segregated  
405           between residential and non-residential customers<sup>20</sup>. However, given a  
406           component of uncollectibles will be from non-payment by the Q-AGS, it is unclear

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<sup>19</sup> Id., p. 21, lines 463 – 468.

<sup>20</sup> Nicor Gas Ex. 2.0, pp. 16-17, lines 370 – 373.

407 what category of customer those uncollectibles will be charged to. The Company  
408 should specifically address this concern in its surrebuttal testimony.

409 **Journal Entries**

410 **Q. Did the Company provide additional information regarding the accounting**  
411 **entries for the accounts purchased under the PORCB Program?**

412 A. Yes. The Company provided the responses to certain Staff data requests as  
413 Nicor Gas Ex. 2.4. I have reviewed those exemplar journal entries and do not  
414 take issue with the proposed accounting set forth therein, with the exception of  
415 the accounting for the Intangible Cost Recovery. As discussed in the Rebuttal  
416 Testimony of Staff witness Dr. Rearden (ICC Staff Ex. 5.0, pp. 8, lines 157 –  
417 163), Nicor should not be allowed to record intangible cost recoveries below-the-  
418 line. Instead I recommend that the recoveries of intangible costs should be  
419 recorded in Account 495, Other Gas Revenues, if the Commission approves  
420 recovery of those costs through Rider 17.

421 **Conclusion**

422 **Q. What is your recommendation to the Commission regarding the Company's**  
423 **proposed Rider 17?**

424 A. I recommend that the Commission adopt the recommendation of Staff witness  
425 Dr. Rearden to reject the proposed Rider 17. If, in the alternative, the  
426 Commission determines that Rider 17 tariffs should be approved in this  
427 proceeding, I recommend the following:

428                   1) The revisions to tariff language discussed above (and presented in  
429                   Attachment A) be approved; and  
430                   2) The Company be ordered to keep its records in the manner described  
431                   above to track its costs and revenues associated with the PORCB  
432                   Program.

433   **Q.     Does this question end your prepared rebuttal testimony?**

434   **A.     Yes.**